1 July 2014

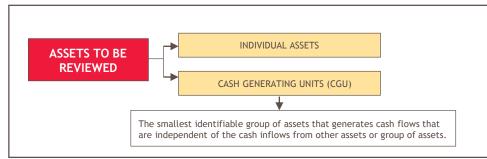
Effective Periods Beginning

PBE IPSAS 26: IMPAIRMENT OF CASH-GENERATING **ASSETS**

DEFINITION

Cash-generating assets: are assets held with the primary objective of generating a commercial return (apply this standard).

Non-cash-generating assets: are assets other than cash-generating assets (impairment testing requirements are included in PBE IPSAS 21 - Impairment of Non-Cash-Generating Assets).



IMPAIRMENT = Carrying Amount > Recoverable Amount

Recoverable amount = Higher of fair value less costs to sell and value in use.

Fair value less costs to sell

Amount obtainable in an arm's length transaction less costs of disposal.

Fair value

- · Binding sale agreement.
- · Market price in an active market.

attributable to the

Costs to sell

- Incremental costs disposal of an asset.
- and disposal. Based on asset in its current form.

Value in use

of the asset.

Cash flows

- Exclude financing activities.
- · Pre tax.

Discount rate

• Pre tax.

Represents the present value of the future net cash

flows from the continuing use and ultimate disposal

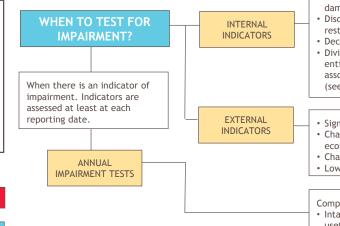
- · From continuing use
- · Either adjust future cash flows or adjust the discount rate for the elements that should be reflected in the calculation of value in use.

TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure exemptions in PBE IPSAS 26.

SCOPE

All assets, except: inventories, construction contract assets, financial assets, investment property at fair value, cash-generating plant and equipment and intangible assets on revaluation model, deferred tax assets, assets arising from employee benefits, biological assets at fair value less costs to sell, insurance contract assets, non-current assets held for sale and other assets in which impairment testing requirements are included in another PBF standard.



- Evidence of obsolescence or physical damage.
- · Discontinuance, disposal or restructuring plans.
- Declining asset performance.
- Dividend received from a controlled entity, jointly controlled entity or associate if certain conditions are met (see para 25 (g)).
- Significant decline in market value.
- Changes in technological, market,
- economic or legal environment. · Changes in interest rates.
- · Low market capitalisation.

Compulsory for:

- · Intangible assets with an indefinite useful life.
- Intangible assets not vet available for
- · CGU to which goodwill has been allocated.

RECOGNITION OF IMPAIRMENT

All impairment losses must be recognised in surplus or deficit.

IMPAIRMENT Individual asset - recognised

ALLOCATION OF

directly against asset.

CGU - First impair any goodwill in the CGU and then any remaining impairment is allocated against other assets of CGU on a pro-rata basis.

· Changes in way asset is used or WHEN TO REVERSE expected to be used. **IMPAIRMENT?** INTERNAL

INDICATORS

INDICATORS

· Evidence from internal reporting indicates that economic performance of the asset will be better than expected.

Individual asset - recognise in surplus or deficit unless asset carried at revalued amount.

CGU - allocated to assets of CGU on a pro-rata basis.

Goodwill - Impairment of goodwill is never reversed.

- **EXTERNAL**
- Significant increase in market value. Changes in technological, market, economic or legal environment.
 - · Changes in interest rates.
 - · Market interest rates have decreased.

Although every effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular facts and circumstances of the situation.

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